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IN THE

Supreme Court of the United States

OCTOBER TERM, 1961

NO. 199

JONES & LAUGHLIN STEEL CORPORATION,
Petitioner,

v.

THE J. R. CLARK COMPANY and JOHN R. CLARK,
Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT WITH APPENDIX

H. PARKER SHARP
G. R. HARRIS
3 Gateway Center
Pittsburgh 30, Pa.
Attorneys for Petitioner

June 27, 1961

SMITH BROS. CO. INC., LAW PRINTERS, 434-436 BLVD. OF ALLIES, PITTSBURGH 19, PA.

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THE J. R. CLARK COMPANY and JOHN R. CLARK,
Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

To the Honorable the Chief Justice of the United States and the Associate Justices of the Supreme Court of of the United States:

Petitioner, Jones & Laughlin Steel Corporation, defendant-appellant below, prays that a writ of certiorari issue to the United States Court of Appeals for the Seventh Circuit to review the judgment of that Court herein.

OPINIONS BELOW

The opinion of the Court of Appeals is printed at 288 F. (2d) 279

The opinion of the District Court is reported at 186 F. Supp. 22.

JURISDICTION

The judgment of the Court of Appeals was entered April 3, 1961. This Court has jurisdiction by virtue of the provisions of 28 U.S.C. 1254 (1).

QUESTIONS PRESENTED

1. Is a judgment of patent validity and infringement against manufacturer A binding upon manufacturer B (B being unrelated to A and not having controlled, aided, or participated in any way in the litigation involving A) simply because B purchased from A during the pendency of the litigation and with the knowledge that it was pending (i) some of the infringing devices, (ii) unpatented tools, equipment and drawings useful in the manufacture of the device and (iii) unpatented raw materials for their manufacture?

2. Can the rule of *Miller v. Eagle Manufacturing Co.*, (1894) 151 U.S. 186, that "no patent can issue for an invention actually covered by a former patent, especially to the same patentee, although the terms of the claims may differ" be avoided by taking out the second patent on the same day as the first?

CONSTITUTIONAL PROVISIONS INVOLVED

Amendment V

No person shall * * * be deprived of life, liberty, or property, without due process of law; ***

STATUTE INVOLVED

Title 35 U.S.C. 101. Inventions Patentable

Whoever invents or discovers any new and useful process, machine, manufacture, or composition or matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title. July 19, 1952, c 950 § 1, 66 Stat 797.

STATEMENT OF THE CASE

1.

The issue here is the asserted infringement of respondents' patent for an ironing table, No. 2,663,102. The purported novelty is a leg structure which provides knee-room beneath the ironing board so that the operator may sit down to iron. The same patentee was also issued another patent, No. 2,663,101, for an ironing table substantially identical with that of his 2,663,102 patent. The table of the 101 patent has U-bends in both legs whereas the table of the 102 patent has a U-bend in one leg only, as may be seen from the inserted Figure 1 of each patent.

2.

Respondents, The J. R. Clark Company and John R. Clark, brought an action in the United States District Court for the Eastern District of Wisconsin against Geuder, Paeschke & Frey Co. ("G. P. & F.") charging that defendant with infringement of claim 1 of Olander Patent 2,663,102* by reason of its manufacture and sale of certain ironing tables identified as Model C-690. The District Court adjudged the patent valid and infringed in an opinion reported at 159 F. Supp. 948. That judgment was affirmed by the Court of Appeals for the Seventh Circuit at 259 F.2d 737 and this Court denied certiorari at 359 U.S. 914.

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*Petitioner has filed copies of the appendices filed by all parties below as part of the transcript herein; Rule 21 (3). The Olander Patent 2,663,102 appears at page 65 of the separate Appendix to Appellant's Brief (Yellow cover) and Olander Patent 2,663,101 appears at page 53. References hereinafter to that Appendix will be "(A ....)".

After the action in the District Court had been tried, but before judgment had been rendered, G. P. & F. sold to the petitioner, Jones & Laughlin Steel Corporation, the assets of G. P. & F.'s Consumer Products Division which manufactured and sold galvanized ware, dairy ware and ironing tables. Those assets included, generally, machinery, tools, raw materials, unassembled parts, and stocks of finished articles. The assets relating to the manufacture of ironing tables included a stock of 172 Model C-690 ironing tables as well as a stock of other models of ironing tables; a supply of raw materials for making Model C-690 ironing tables and ironing tables of other, non-infringing, design, drawings of the Model C-690 ironing tables and of ironing tables of other, non-infringing, design and tools and special equipment generally adapted to the manufacture of parts for several or all of the various models of ironing tables, whether infringing or non-infringing, then made by G. P. & F.

The infringing ironing boards were only 172 in number and money-wise were only a trivial part of the whole transaction between G. P. & F. and petitioner (A-11).

On or about June 1, 1958, petitioner sold to Arvin Industries, Inc. the assets relating to the manufacture of ironing tables which it had purchased from G. P. & F., together with petitioner's then inventory of finished ironing tables.

3.

In the course of the negotiations leading up to the sale of assets petitioner was informed by G. P. & F. of the pendency of the action brought against it by respondents. This knowledge was imparted to petitioner several months after the case had been tried. Petitioner

Dec. 22, 1953 K. B. OLANDER 2,663,101

IRONING TABLE

Filed June 4, 1952 3 Sheets-Sheet 1

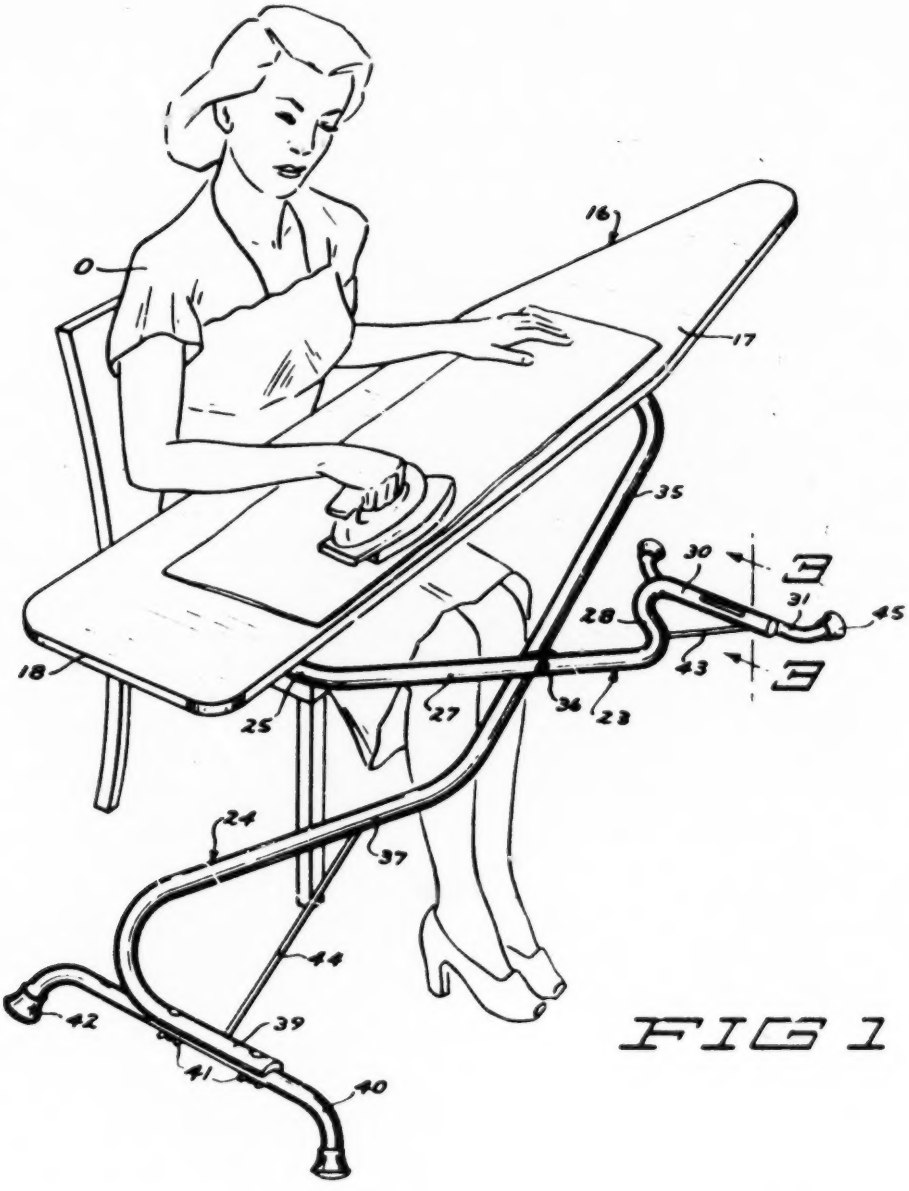

FIG 1

INVENTOR.
KEMUEL B. OLANDER
BY
Carlson & Hazle
ATTORNEYS

Dec. 22, 1953 K. B. OLANDER 2,663,102

IRONING TABLE

Filed June 9, 1950 4 Sheets-Sheet 1

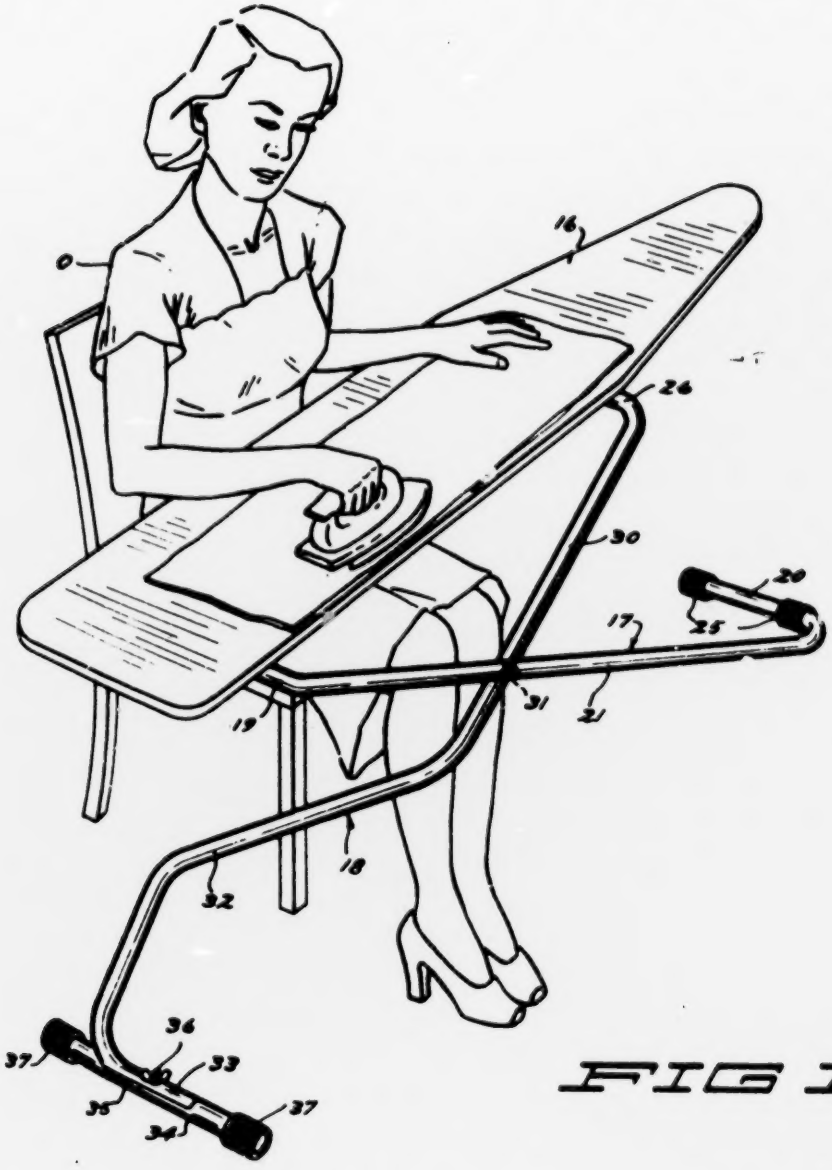

FIG 1

Inventor
KENUEL B. OLANDER

By Carlsen & Hoyle
Attorneys

did not at any time direct or control the defense of the litigation against G. P. & F., or aid G. P. & F. therein or participate in that litigation in any way whatsoever. G. P. & F. and petitioner are wholly separate and unrelated companies.

4.

On November 3, 1958, respondents filed their complaint in the case at bar in the United States District Court for the Southern District of Indiana, Indianapolis Division. This was five months after petitioner's sale of its ironing board business to Arvin Industries, Inc. No suit for infringement has been brought by respondent against Arvin.

5.

Respondent's patent does not cover tools, apparatus, processes or raw materials for making ironing tables. The drawings petitioner obtained from its vendor disclosed nothing more than the drawings of the Olander patent itself, which are full and complete.

Petitioner did not sell ironing tables under any name other than its own.

Petitioner in its answer averred that the patent was invalid as not meeting the requirements of 35 U.S.C. 103 and as constituting double patenting of the invention of Olander Patent 2,663,101 (A-53). Thereafter petitioner gave respondents notice of certain items of prior art which were not considered in the litigation resulting in respondents' judgment against G. P. & F., and which are believed to be more pertinent than any art considered in that litigation. But because this case was decided by the courts below on motions for summary judg-

ment that prior art has not been considered by any court.

6.

Petitioner in answer to interrogatories stated that it had manufactured and sold ironing tables substantially the same as G. P. & F.'s model C-690. Respondents moved for summary judgment on the ground that their judgment against G. P. & F. was res judicata against petitioner. Petitioner moved for summary judgment that the Olander Patent 2,663,102 was invalid for double patenting. The District Court granted summary judgment for respondents and overruled petitioner's motion (A-21). The Court of Appeals for the Seventh Circuit affirmed the District Court in both respects.

7.

The courts below did not find or even suggest that petitioner had participated in the G. P. & F. litigation but bottomed their holding of res judicata solely on the ground that the facts above recited made petitioner a privy of G. P. & F. in the G. P. & F. litigation.

No evidentiary facts are in dispute, and this Court is asked to set aside no findings other than those which cannot stand as a matter of law, *The Great Atlantic and Pacific Tea Company v. Supermarket Equipment Corporation,* (1950) 340 U.S. 147.

REASONS RELIED ON FOR THE ALLOWANCE OF THE WRIT

1. The Decision Below Is a Denial of Due Process.

(a) In *Galpin v. Page,* (1873) 85 U.S. 350, 368, this Court declared:

> "It is a rule as old as the law and never more to be respected than now that no one shall be personally bound until he has had his day in court, by which is meant until he has been duly cited to appear and has been afforded an opportunity to be heard."

It follows that petitioner has been denied due process unless, as a matter of law, the purely commercial transaction between petitioner and G. P. & F., occuring after the trial of the G. P. & F. case but before it was decided, and involving as a minor item some of the infringing ironing boards, which G. P. & F. had theretofore been selling generally in the trade, made petitioner a privy to the G. P. & F. litigation.

The court below adverted to *General Chemical Co. v. Standard Wholesale Phosphate & Acid Works, Inc.,* (CA 4 1939) 101 F.2d 178, which declares that a vendee of a manufactured article is not bound by a judgment of patent validity and infrigement against its vendor for the reason that the vendee has not had his day in court. Another case which says the same thing is *Wenborne-Karpen Dryer Co. v. Dort Motor Car Co.,* (CA 6 1926) 14 F.2d 378. Nevertheless the court below concluded that privity existed between petitioner and G. P. & F. because petitioner purchased, not merely infringing articles, but the entire business of its vendor that

was devoted to the production of ironing tables. In support of that conclusion it quoted a portion of the decision in *G. & C. Merriam Co. v. Saalfield,* (CA 6 1911) 190 Fed. 927, to the effect that one who acquires rights involved in pending litigation must be bound by the final judgment, otherwise, pending suit against him, he might alienate those rights to another with the result that a final decree bearing fruit could never be reached.

That argument, however, is as applicable to the vendee of a manufactured article as it is to the vendee of the entire business of manufacturing the article, and as far as this case is concerned comes down to the bald assertion that the right of a litigant to his day in court is subordinate to the desirability of finality in judgment. If that assertion is the law, there is no need to find any privity between successive defendants of suits on the same patent in order to apply res judicata, and this Court need not have decided *Smith v. Hall,* (1937) 301 U.S. 216, because it had passed on the same patent in *Smith v. Snow,* (1935) 294 U.S. 1.

If the vendee of a manufactured article from a vendor who has been adjudged to have infringed a patent on the article has not had his day in court, is there reason or authority for denying that right to the vendee of the entire business of the vendor? The reason advanced by the court below has already been dealt with. The authority on which the lower court relied is of doubtful persuasiveness. The Court of Appeals for the Sixth Circuit in the *Wenborne-Karpen* case, supra, did not mention its earlier decision in *Merriam v. Saalfield,* supra. The business purchased by Saalfield was that of palming off dictionaries as the dictionaries of Merriam's, and if on the facts of that case, Saalfield could be considered

to have had his day in court, or the denial of his day in court could be justified, those facts are not present in this case. In *Acetol Products, Inc. v. Sam Tripi, et al.*, (DC Mo 1930) 7 USPQ 161, also mentioned by the court below, the facts were that the vendee of the business had been adjudicated in a prior proceeding to have been in contempt of court for conspiring with his vendor to take over and continue the infringing operations. In both cases there was bad faith on the part of the defendant.

(b) The court below decided this case on the proposition that petitioner purchased from G. P. & F. the entire "business" devoted to the production of ironing tables. The uncontroverted allegations of petitioner were that it simply purchased certain *assets* of G. P. & F.'s Consumer Products Division, and in a summary proceeding those allegations must be considered to be true, *Postal Telegraph Cable Co. v. City of Newport*, (1918) 247 U.S. 464. The issue, therefore, reduces to this: If the vendee of articles manufactured by a vendor who has been adjudged to have infringed a patent by such manufacture has not had his day in court, does the purchase by the vendee from the vendor of other assets outside the scope of the patent change his position? This Court dealt with a related situation in *Rubber Tire & Wheel Co. v. Goodyear Tire and Rubber Co.*, (1914) 232 U.S. 413, 416, saying:

> "* * * It is at once apparent that the decree in favor of the Goodyear Company in the former suit does not work an estoppel in favor of Doherty so as to afford him a defense against the charge of infringement in making the patented structure. He was not a party to the suit in which that decree was rendered; nor, at least with respect to tires made by

> him, can he be regarded as a privy to that decree. We may lay on one side the question as to the rights of one purchasing from the respondent the completed article. Doherty did not purchase it; he made it himself, assembling its various elements for that purpose and effecting the combination. On no possible theory can it be that, if the tire thus constructed was covered by the patents, Doherty was entitled to immunity simply because he bought one element of the tire from the Goodyear Company."

By the same reasoning the buyer of unpatented tools and materials would not be estopped by a judgment against his vendor.

2. The Decision Below Extends the Scope of Res Judicata so as to Restrain Lawful Competition in the Sale of Unpatented Articles.

A consequence of the decision below is that a manufacturer against whom suit is filed for infringement of a patent for a manufactured article cannot thereafter dispose of the unpatented tools and materials relating to the manufacture of that article at a competitive price. This disability extends throughout the remaining life of the patent in suit, unless the suit is ultimately decided earlier in favor of the defendant. No other manufacturer, no matter what evidence he may have of the invalidity of the patent and no matter how willing he may be to test the patent, can risk purchasing from the defendant manufacturer the unpatented assets in question while that disability endures.

He can purchase a copy of the patent from the Patent Office for twenty-five cents and duplicate the articles

shown in its drawings, or he can buy one of the patented articles and duplicate it. He can make or have made for him tools and special equipment identical with those of the defendant manufacturer, or he can buy the tools and equipment from some other manufacturer of similar articles who has not been sued for patent infringement by the patent owner. He can buy raw materials for making the article from anyone in the world other than the defendant manufacturer. If he does these things, he can relitigate the patent, subject only to the rule of stare decisis, as it may apply. But under the decision below, if he buys the unpatented tools, equipment, and materials above mentioned from the defendant manufacturer, he finds himself precluded from relitigating by the doctrine of res judicata.

The defendant manufacturer, however, has one possible buyer for his assets—the owner of the patent. By filing suit against the assertedly infringing manufacturer the patent owner automatically disposes of all other potential customers for the assets in question and may, therefore, purchase them at his own price. His patent for an article of manufacture is thereby enlarged to restrain lawful competition in the sale of unpatented articles, a misuse of his patent which this Court has condemned in *Morton Salt Co. v. G. S. Suppiger Co.*, (1942) 314 U.S. 488, *Carbice Corporation of America v. American Patents Development Corporation, et al.*, (1931) 283 U.S. 27, and *Leitch Manufacturing Company, Inc. v. The Barber Company, Inc.*, (1938) 302 U.S. 458. It makes no difference that the patentee here is the purchaser and not the seller of the unpatented articles; the restraint on competition is the same.

In *Mercoid Corp. v. Mid-Continent Investment Corp.*, (1944) 320 U.S. 661, 670, this Court held that res judicata cannot be invoked to prevent a court from restraining the extension of a patent monopoly to unpatented articles. The decisions below, in the name of res judicata, bring about the extension of a patent monopoly to unpatented articles.

3. The Decision Below Authorizes Multiple Patenting of a Single Invention, and Consequently Multiple Infringement Suits and Successive Recoveries of Damages for the Same Infringing Act.

The statute, 35 U.S.C. 101, authorizes the granting to an inventor of *"a"* patent for his invention. This Court in *Miller v. Eagle Manufacturing Co.*, (1894) 151 U.S. 186, expressed the law now embodied in the statute in the following words:

> "* * * No patent can issue for an invention actually covered by a former patent, especially to the same patentee, although the terms of the claims may differ * * *."

It assigned as the reason:

> "* * * the power to create a monopoly is *exhausted* by the first patent, and for the *further* reason that a new and later patent for the same invention would operate to extend and prolong the monopoly beyond the period allowed by law." (Emphasis supplied)

Respondents' 101 and 102 patents are for essentially the same article as may be seen by reference to the insert at page 4, and the differences between claim 1 of the 101 patent and claim 1 of the 102 patent are merely differences in terms. Holders of multiple patents plainly

do not avoid the first ground of *Miller v. Eagle* — exhaustion of the monopoly by the first grant — merely by taking out the second patent on the same day.

Nor do they avoid the second ground of *Miller v. Eagle* by so doing, for while the two patents are coextensive as to time, they are wholly separate and distinct as to alienation or licensing. Since the two patents are assignable, the owner can transfer one and keep the other, or transfer them to different assignees. A member of the public who, under a mistake as to his rights, falls afoul of one patent would find himself defending suits by the several owners of all the others and would become liable for successive recoveries of damages for a single infringing act.

In *Crown Co. v. Nye Tool Works,* (1923) 261 U.S. 24, this Court condemned the carving up of the monopoly of a patent by partial assignments for the reasons above indicated. The effect upon the public is the same whether a patent monopoly is subdivided by carving out a naked right to sue an infringer or by granting two or more patents for the same invention.

4. The Decisional Law of the Courts of Appeals on Multiple Patenting Is Not Certain or Consistent, and the Decision Below Is in Conflict With Decisions of Other Courts of Appeals, With the Statute, and With Decisions of This Court.

In *Underwood v. Gerber,* (1893) 149 U.S. 224, this Court considered two patents which had been taken out by Underwood on the same day. The higher numbered patent, on which alone the suit was brought, was for paper coated with a coloring composition. The lower numbered patent was for the same coloring composition alone. This Court affirmed the judgment of the court below that the higher numbered patent was invalid because it claimed nothing that was inventive over the lower numbered patent.

The rule of *Underwood v. Gerber* was followed in the Court of Appeals for the Second Circuit in *Willcox and Gibbs Sewing Machine Co. v. Merrow,* (CA 2 1898) 93 Fed. 206, and is still the law there. The same rule is followed in the Court of Customs and Patent Appeals, *In re Byck,* (CCPA 1931) 48 F.2d 665, and *In re Siu,* (CCPA 1955) 222 F.2d 267.

The lower court based its decision on its earlier holding in *Deister Concentrator Co. v. Deister Mach. Co.,* (CA 7 1920) 263 Fed. 706. There it had before it two patents which had issued to the same patentee on the same day and both of which were asserted against the defendant. The lower court did not consider the absence of inventive differences between the claims of the patents, but found them valid, saying (p. 711):

> "What are separate claims but descriptions of separate inventions?"

That proposition begs the question not only with respect to multiple patents issued on the same day but also as to patents issued on different days. The decision does not mention *Underwood v. Gerber.*

The lower court relied on the *Deister* case although respondents brought suit only on the higher numbered patent. It distinguished *Underwood v. Gerber* by saying that that case was not one of double patenting because the second patent did not claim the composition of matter which was claimed in the first patent. The court overlooked the rule of *Miller v. Eagle,* supra, as well as the provisions of 35 U.S.C. 101.

The conflict between the decision below and those of this Court, other courts of appeals, and the clear words of the statute should be resolved.

CONCLUSION

The petition present questions whose determination will resolve conflicts and uncertainties which have arisen in the lower federal courts and will have immediate importance far beyond the particular facts and parties involved. The petition should be granted.

Respectfully submitted,

H. PARKER SHARP
G. R. HARRIS
Attorneys for Petitioner